

Message Text

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ACTION EB-07

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TAGS: ECON, ECRP, DR
SUBJECT: CERP 0200: CENTRAL GOVERNMENT BUDGET FOR 1977

REF: A) SANTO DOMINGO A-7, B) SANTO DOMINGO A-130

1. ON DECEMBER 27 THE NATIONAL DEVELOPMENT COUNCIL, CHAIRED BY PRESIDENT BALAGUER AND ATTENDED BY RANKING GODR OFFICIALS, APPROVED THE DRAFT 1977 BUDGET FOR THE CENTRAL GOVERNMENT, AND TWO DAYS LATER IT WAS PASSED BY BOTH HOUSES OF CONGRESS. REVENUES AND EXPENDITURES ARE PROJECTED TO BE IN BALANCE AT \$547.7 MILLION, AN INCREASE OF \$17.2 MILLION OVER THE BUDGET ADOPTED FOR 1976.

2. THE LARGEST SINGLE ITEM, \$103 MILLION (18.8 PERCENT) FOR EDUCATION, WAS REDUCED BY ALMOST \$2 MILLION. PUBLIC HEALTH IS ASSIGNED \$74 MILLION (13.5 PERCENT) AND AGRICULTURE \$77 MILLION (14 PERCENT). NATIONAL DEFENSE IS GIVEN \$43 MILLION (7.8 PERCENT) AND THE NATIONAL POLICE \$25 MILLION (4.6 PERCENT).

3. OPERATING EXPENSES ACCOUNT FOR \$364 MILLION AND CAPITAL INVESTMENT \$184 MILLION (34 PERCENT).

4. IN REVENUES \$248 MILLION IS TO COME FROM IMPORT AND EXPORT
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TAXES, \$121 MILLION FROM CORPORATE AND PERSONAL INCOME TAXES, AND \$93 MILLION FROM EXCISE AND SALES TAXES.

5. THE CENTRAL GOVERNMENT BUDGET DOES NOT RPT NOT INCLUDE AUTONOMOUS AGENCIES OR STATE-OWNED INDUSTRIAL AND COMMERICAL ENTERPRISES SUCH AS THE CENTRAL BANK, THE ELECTRIC COMPANY, THE

STATE SUGAR COUNCIL, THE AGRICULTURAL BANK, THE PRICE STYEFHBIZATION INSTITUTE, OR CORDE.

6. AS EXPLAINED IN REPAIR A, THE CENTRAL GOVERNMENT BUDGET IS AT BEST A VERY ROUGH INDICATOR OF WHAT THE GODR EXPECTS TO COLLECT AND SPEND DURING THE COMING YEAR. BUDGET SUBMISSIONS RELY HEAVILY ON THE RESULTS OF THE PREVIOUS YEAR.

7. IN VIEW OF THE SLUMP IN WORLD SUGAR PRICES, AND THE GENERAL SLOWING DOWN OF THE DOMINICAN ECONOMY, GOVERNMENT REVENUES IN 1977 ARE EXPECTED TO BE OFF. INASMUCH AS THE BALAGUER GOVERNMENT TENDS TO ESCHEW DEFICIT FINANCING, GOVERNMENT EXPENDITURES ARE NOT RPT NOT LIKELY TO GROW AS RAPIDLY AS IN THE RECENT PAST.

8. IN A MESSAGE ACCOMPANYING THE BUDGET, BALAGIVR STATED THAT IT HAD BEEN CONSIDERED PRUDENT TO DRAFT A BUDGET SIMILAR TO LAST YEAR'S, WHICH WAS A GREAT ACHIEVEMENT IN A YEAR WHEN THE ECONOMY WAS SUBJECT TO VARIOUS ADVERSE FACTORS BEYOND THE CONTROL OF THE GOVERNMENT. THE PRESIDENT ADDED THAT REQUESTS FOR BUDGET INCREASES WOULD BE CONSIDERED DURING THE COURSE OF 1977 BUT COULD NOT BE ACTED UPON FAVORABLY AT THIS TIME BECAUSE OF DEPRESSED SUGAR INCREASES AND INCREASED PETROLEUM PRICES.

9. ALTHOUGH THE BUDGET IN EFFECT IS CONTINUOUSLY REVISED THROUGHOUT THE YEAR, IT IS SOME INDICATION OF THE GODR'S THINKING. THE SMALL PROJECTED INCREASE IN GOVERNMENT EXPENDITURES WILL HAVE A SALUTARY EFFECT IN REDUCING INFLATIONARY PRESSURES AND IN MANAGING THE BALANCE-OF-PAYMENTS PROBLEM, BUT IT PROBABLY ALSO SIGNIFIES A REDUCTION IN THE RATE OF GENERAL ECONOMIC GROWTH.

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